WASHINGTON (MarketWatch) -- A Democrat and a Republican on Thursday introduced legislation that would overhaul the federal mortgage-financing system and set up as many as 15 or 20 firms that would buy loans, then package and sell them with explicit government guarantees.

The bill was introduced by two members of the House Financial Services Committee -- **Rep. John Campbell, (R., Calif.)**
, and Rep. Gary Peters, (D., Mich.). The bill seeks to replace troubled government-seized housing giants Fannie Mae (FNMA) and Freddie Mac (FMCC), which would be wound down based on a plan set up by their regulator.

Jaret Seiberg, analyst at MF Global Inc. in Washington, said the bill is the kind of legislation that he believes could eventually emerge from Congress. "It preserves a government role in housing finance, which means inexpensive 30-year, fixed-rate mortgages will continue to be readily available," he commented.

However, Seiberg said it was introduced too early in the political fight and it will be hard for many Republicans to support this approach.

While the legislation does not yet have the support of leadership in either party, it is unusual in that it has the backing of both a Republican and Democrat.

Top Republicans have advanced bills that would lead to a mostly private mortgage market, while Democrats have pushed for a government role in the mortgage industry.

The two legislators anticipate there being 15 to 20 or more firms chartered to securitize residential mortgages operating in the marketplace, according to Christopher Bognanno, a spokesman for **Campbell**.

He said the bill does not specify whether the companies should hold a portfolio of mortgages the way Fannie and Freddie currently have on their books. Yet Bognanno added the lawmakers agree that it would not make sense to have the kinds of large portfolios that the two troubled existing mortgage giants Fannie and Freddie have on their books.

The **Campbell**-Peters bill seeks to limit taxpayer liability by creating a reserve fund to cover any losses. The fund would be capitalized by assessing a special guarantee fee to buyers of the packaged mortgage securities. It also would seek to recoup any taxpayer funds spent to bail out the firms through a special assessment levied on the firms.

The bill has the support of the Housing Policy Council, a group made up of 32 mortgage-finance companies.

"This legislation is a strong approach that would create a modern private-sector housing finance system, preserve bedrock financing like the 30-year fixed rate mortgage and protect taxpayers," said John Dalton, president of the group.